

An Economic Analysis of the Way of Urban Planning
in the Decentralized Society

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[SYNOPSIS]

The theory of local public finances made the efficient relationship between the central government and the local government clear. Following this theory, it is expected that the decentralization serves to the rationalization of the urban planning. However, some drastic change which is expected to happen soon (such as population decrease, globalization, informatization and so on) may overthrow the argument above.

In this study, we try to answer for the following two questions, that is, "Is the decentralization really effective for the rationalization of the urban planning?" and "The ongoing decentralization is efficient one from the viewpoint of the urban planning?". Firstly, we review the implicit assumptions behind the theory of local public finance critically and alert that the local public finance system must be designed adequately for the rational urban planning to be established. Secondly, we analyze the efficient local public finance system which work well for the establishment of the rational urban planning even in the era of population decrease. From the model analysis, we show that the central government must subsidize the urban planning established by the local governments.